

TOWNSHIP OF AU GRES
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Au Gres	County Arenac
Fiscal Year End March 31, 2008	Opinion Date June 18, 2008	Date Audit Report Submitted to State June 19, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

TOWNSHIP OF AU GRES
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 18, 2008

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Au Gres, Arenac County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Au Gres's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Au Gres, Arenac County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Au Gres covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$611,250.49 for governmental activities and \$97,597.00 for business activities (water). Overall net assets increased \$87,363.25.

Overall revenues were \$391,122.56 (\$363,934.44 from governmental activities and \$27,188.12 from business-type activities (water)).

Taxable value increased \$1,446,507.00 or approximately 4% from \$40,588,374.00 in 2006 to \$42,034,881.00 in 2007.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Garbage Fund, Road Fund, Water Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

TOWNSHIP OF AU GRES
Arenac County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	564 631	617 067	18 480	20 406	583 111	637 473
Capital Assets	88 081	83 236	83 046	78 432	171 127	161 668
Total Assets	652 712	700 303	101 526	98 838	754 238	799 141
Current Liabilities	-	176	1 263	1 241	1 263	1 417
Non-current Liabilities	131 492	88 877	-	-	131 492	88 877
Total Liabilities	131 492	89 053	1 263	1 241	132 755	90 294
Net Assets:						
Invested in Capital Assets	41 589	39 359	83 046	78 432	124 635	117 791
Reserved	713	634	-	-	713	634
Unrestricted	478 918	571 257	17 218	19 165	496 136	590 422
Total Net Assets	521 220	611 250	100 264	97 597	621 484	708 847
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for Services	119 552	119 306	20 972	27 144	140 524	146 450
Operating Grants and Contributions	23 175	-	-	-	23 175	-
General Revenues:						
Property Taxes	155 805	158 118	-	-	155 805	158 118
State Revenue Sharing	70 776	69 281	-	-	70 776	69 281
Interest	9 680	8 137	47	44	9 727	8 181
Miscellaneous	13 574	9 092	-	-	13 574	9 092
Total Revenues	392 562	363 934	21 019	27 188	413 581	391 122
Program Expenses:						
Legislative	79 528	29 535	-	-	79 528	29 535
General Government	103 273	166 005	23 830	29 855	127 103	195 860
Public Safety	4 052	1 452	-	-	4 052	1 452
Public Works	113 127	68 652	-	-	113 127	68 652
Recreation and Culture	1 959	3 040	-	-	1 959	3 040
Interest on Long-Term Debt	6 955	5 220	-	-	6 955	5 220
Total Expenses	308 894	273 904	23 830	29 855	332 724	303 759
Increase (Decrease) in Net Assets Before Transfers	83 668	90 030	(2 811)	(2 667)	80 857	87 363
Transfers	6 285	-	(6 285)	-	-	-
Increase (Decrease) in Net Assets	89 953	90 030	(9 096)	(2 667)	80 857	87 363
Net Assets, April 1	431 267	521 220	109 360	100 264	540 627	621 484
Net Assets, March 31	521 220	611 250	100 264	97 597	621 484	708 847

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Garbage Fund, Road Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt includes one year remaining at \$45,000.00 for the hard-surfacing of roads in the form of outstanding bonds and twelve years remaining for the township hall improvements in the form of an installment loan owing \$43,876.93.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The Garbage Fund pays for Township trash collection, which is a special assessment. The Road Fund pays for general road maintenance. The Mosquito and Gypsy Moth Funds are voter approved millages. \$30,529.73 was paid for mosquito control and \$31,688.73 was paid for gypsy moth control. Bay Ridge Drive and Booth Road Funds are used for special assessments used to pay off the Road Bond obligation. The Bond Fund is the holding account for bond payments; \$43,157.50 was paid to the bondholder. The Tax Fund is used as a holding account for property tax payments. The Water Fund is a business-type account for the Township's water customers.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$42,615.30 of principal on long-term debt.

There was \$1,068.78 invested in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future. The population of the Township remained the same from the 1990 to the year 2000 census. Only a modest 4% taxable value increase occurred within the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1865 Swenson Road, P.O. Box 783, Au Gres, Michigan 48703 or by calling 989-876-7293 or via fax 989-876-4190.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	585 890 97	19 836 82	605 727 79
Taxes receivable	18 424 34	-	18 424 34
Accounts receivable	-	568 90	568 90
Special assessments receivable	<u>12 751 77</u>	<u>-</u>	<u>12 751 77</u>
Total Current Assets	<u>617 067 08</u>	<u>20 405 72</u>	<u>637 472 80</u>
NON-CURRENT ASSETS:			
Capital Assets	117 575 73	184 546 44	302 122 17
Less: Accumulated Depreciation	<u>(34 339 81)</u>	<u>(106 114 18)</u>	<u>(140 453 99)</u>
Total Non-current Assets	<u>83 235 92</u>	<u>78 432 26</u>	<u>161 668 18</u>
TOTAL ASSETS	<u><u>700 303 00</u></u>	<u><u>98 837 98</u></u>	<u><u>799 140 98</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>175 58</u>	<u>1 240 98</u>	<u>1 416 56</u>
Total Current Liabilities	<u>175 58</u>	<u>1 240 98</u>	<u>1 416 56</u>
NON-CURRENT LIABILITIES:			
Loan payable	43 876 93	-	43 876 93
Bonds payable	<u>45 000 00</u>	<u>-</u>	<u>45 000 00</u>
Total Non-current Liabilities	<u>88 876 93</u>	<u>-</u>	<u>88 876 93</u>
Total Liabilities	<u>89 052 51</u>	<u>1 240 98</u>	<u>90 293 49</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	39 358 99	78 432 26	117 791 25
Reserved for debt service	634 48	-	634 48
Unrestricted	<u>571 257 02</u>	<u>19 164 74</u>	<u>590 421 76</u>
Total Net Assets	<u>611 250 49</u>	<u>97 597 00</u>	<u>708 847 49</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>700 303 00</u></u>	<u><u>98 837 98</u></u>	<u><u>799 140 98</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	29 535 37	-	(29 535 37)
General government	166 005 05	25 893 90	(140 111 15)
Public safety	1 451 70	1 115 00	(336 70)
Public works	68 652 04	92 296 67	23 644 63
Culture and recreation	3 039 98	-	(3 039 98)
Interest on long-term debt	5 220 28	-	(5 220 28)
Total Governmental Activities	<u>273 904 42</u>	<u>119 305 57</u>	<u>(154 598 85)</u>
Business-Type Activities:			
Water	29 854 89	27 144 25	-
Total Business-Type Activities	<u>29 854 89</u>	<u>27 144 25</u>	<u>-</u>
Total Primary Government	<u>303 759 31</u>	<u>146 449 82</u>	<u>(154 598 85)</u>
General Revenues:			
Property taxes			156 117 27
Other taxes			2 001 41
State revenue sharing			69 281 00
Interest			8 137 06
Miscellaneous			9 092 13
Total General Revenues			<u>244 628 87</u>
Change in net assets			90 030 02
Net assets, beginning of year			<u>521 220 47</u>
Net Assets, End of Year			<u>611 250 49</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(29 535 37)
-	(140 111 15)
-	(336 70)
-	23 644 63
-	(3 039 98)
-	(5 220 28)
-	(154 598 85)
<u>(2 710 64)</u>	<u>(2 710 64)</u>
<u>(2 710 64)</u>	<u>(2 710 64)</u>
<u>(2 710 64)</u>	<u>(157 309 49)</u>
-	156 117 27
-	2 001 41
-	69 281 00
43 87	8 180 93
-	9 092 13
<u>43 87</u>	<u>244 672 74</u>
(2 666 77)	87 363 25
<u>100 263 77</u>	<u>621 484 24</u>
<u>97 597 00</u>	<u>708 847 49</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
<u>Assets</u>				
Cash in bank	163 781 65	39 515 59	121 553 35	126 431 14
Taxes receivable	5 245 31	-	4 393 01	4 393 01
Special assessments receivable	-	8 184 67	-	-
Due from other funds	<u>18 472 16</u>	<u>412 15</u>	<u>166 20</u>	<u>165 69</u>
Total Assets	<u><u>187 499 12</u></u>	<u><u>48 112 41</u></u>	<u><u>126 112 56</u></u>	<u><u>130 989 84</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	175 58	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>175 58</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	<u>187 323 54</u>	<u>48 112 41</u>	<u>126 112 56</u>	<u>130 989 84</u>
Total fund equity	<u><u>187 323 54</u></u>	<u><u>48 112 41</u></u>	<u><u>126 112 56</u></u>	<u><u>130 989 84</u></u>
Total Liabilities and Fund Equity	<u><u>187 499 12</u></u>	<u><u>48 112 41</u></u>	<u><u>126 112 56</u></u>	<u><u>130 989 84</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
90 593 59	634 48	41 094 38	583 604 18
4 393 01	-	-	18 424 34
-	-	4 567 10	12 751 77
<u>165 69</u>	<u>-</u>	<u>-</u>	<u>19 381 89</u>
<u>95 152 29</u>	<u>634 48</u>	<u>45 661 48</u>	<u>634 162 18</u>
-	-	-	175 58
<u>17 095 10</u>	<u>-</u>	<u>-</u>	<u>17 095 10</u>
<u>17 095 10</u>	<u>-</u>	<u>-</u>	<u>17 270 68</u>
-	634 48	-	634 48
<u>78 057 19</u>	<u>-</u>	<u>45 661 48</u>	<u>616 257 02</u>
<u>78 057 19</u>	<u>634 48</u>	<u>45 661 48</u>	<u>616 891 50</u>
<u>95 152 29</u>	<u>634 48</u>	<u>45 661 48</u>	<u>634 162 18</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	616 891 50
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	117 575 73
Accumulated depreciation	(34 339 81)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Loan Payable	(43 876 93)
Bonds payable	<u>(45 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>611 250 49</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Revenues:				
Property taxes	35 535 33	-	40 189 98	40 201 98
Other taxes	2 001 41	-	-	-
Licenses and permits	4 552 52	-	-	-
State revenue sharing	69 281 00	-	-	-
Charges for services – PTAF	14 856 38	-	-	-
Charges for services – Other	7 600 00	-	-	-
Interest	5 412 79	54 43	189 54	2 195 83
Special assessments	-	53 909 22	-	-
Miscellaneous	9 092 13	-	-	-
Total revenues	<u>148 331 56</u>	<u>53 963 65</u>	<u>40 379 52</u>	<u>42 397 81</u>
Expenditures:				
Legislative:				
Township Board	29 535 37	-	-	-
General government:				
Supervisor	5 653 96	-	-	-
Elections	1 999 93	-	-	-
Assessor	49 239 71	-	-	-
Clerk	7 716 12	-	-	-
Board of Review	1 318 42	-	-	-
Treasurer	13 528 18	-	-	-
Building and grounds	10 232 92	-	-	-
Cemetery	9 746 02	-	-	-
Gypsy moth	-	-	-	31 688 73
Mosquito control	-	-	-	-
Public safety:				
Planning and zoning	1 451 70	-	-	-
Public works:				
Highways and streets	-	-	10 538 40	-
Street lights	3 106 73	-	-	-
Sanitation	-	51 978 83	-	-
Drains	2 798 08	-	-	-
Culture and recreation:				
Parks and recreation	1 706 98	-	-	-
Capital outlay	1 068 78	-	-	-
Debt service	4 678 00	-	-	-
Total expenditures	<u>143 780 98</u>	<u>51 978 83</u>	<u>10 538 40</u>	<u>31 688 73</u>
Excess (deficiency) of revenues over expenditures	<u>4 550 58</u>	<u>1 984 82</u>	<u>29 841 12</u>	<u>10 709 08</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
40 189 98	-	-	156 117 27
-	-	-	2 001 41
-	-	-	4 552 52
-	-	-	69 281 00
-	-	-	14 856 38
-	-	-	7 600 00
149 47	33 91	101 09	8 137 06
-	-	38 387 45	92 296 67
-	-	-	9 092 13
<u>40 339 45</u>	<u>33 91</u>	<u>38 488 54</u>	<u>363 934 44</u>
-	-	-	29 535 37
-	-	-	5 653 96
-	-	-	1 999 93
-	-	-	49 239 71
-	-	-	7 716 12
-	-	-	1 318 42
-	-	-	13 528 18
-	-	-	10 232 92
-	-	-	9 746 02
-	-	-	31 688 73
30 529 73	-	-	30 529 73
-	-	-	1 451 70
-	-	-	10 538 40
-	-	-	3 106 73
-	-	-	51 978 83
-	-	-	2 798 08
-	-	-	1 706 98
-	-	-	1 068 78
-	43 157 50	-	47 835 58
<u>30 529 73</u>	<u>43 157 50</u>	<u>-</u>	<u>311 674 17</u>
<u>9 809 72</u>	<u>(43 123 59)</u>	<u>38 488 54</u>	<u>52 260 27</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4 550 58	1 984 82	29 841 12	10 709 08
Fund balances, April 1	<u>182 772 96</u>	<u>46 127 59</u>	<u>96 271 44</u>	<u>120 280 76</u>
Fund Balances, March 31	<u><u>187 323 54</u></u>	<u><u>48 112 41</u></u>	<u><u>126 112 56</u></u>	<u><u>130 989 84</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito</u>	<u>Bond</u>	<u>Other Funds</u>	<u>Total</u>
-	43 045 00	-	43 045 00
-	-	(43 045 00)	(43 045 00)
-	43 045 00	(43 045 00)	-
9 809 72	(78 59)	(4 556 46)	52 260 27
<u>68 247 47</u>	<u>713 07</u>	<u>50 217 94</u>	<u>564 631 23</u>
<u>78 057 19</u>	<u>634 48</u>	<u>45 661 48</u>	<u>616 891 50</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 52 260 27

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 914 33)
Capital Outlay	1 068 78

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>42 615 30</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>90 030 02</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
March 31, 2008

	<u>Enterprise (Water)</u>
<u>Assets</u>	
Cash in bank	19 836 82
Accounts receivable	568 90
Water system	184 546 44
Accumulated depreciation	<u>(106 114 18)</u>
Total Assets	<u>98 837 98</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	<u>1 240 98</u>
Total liabilities	<u>1 240 98</u>
Net assets:	
Invested in capital assets, net of related debt	78 432 26
Unrestricted	<u>19 164 74</u>
Total net assets	<u>97 597 00</u>
Total Liabilities and Net Assets	<u>98 837 98</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
ALL PROPRIETARY FUNDS
Year ended March 31, 2008

	<u>Enterprise (Water)</u>
Operating revenues:	
Service charges	<u>27 144 25</u>
Total operating revenues	<u>27 144 25</u>
Operating expenses:	
Cost of water	24 203 33
Miscellaneous	<u>1 038 00</u>
Total operating expenses before depreciation	<u>25 241 23</u>
Operating income before depreciation	1 903 02
Less depreciation	<u>(4 613 66)</u>
Operating income (loss)	<u>(2 710 64)</u>
Non-operating income (expense):	
Interest earnings	<u>43 87</u>
Net non-operating income (expense)	<u>43 87</u>
Net income (loss)	(2 666 77)
Net assets, beginning of year	<u>100 263 77</u>
Net Assets, End of Year	<u><u>97 597 00</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended March 31, 2008

	<u>Enterprise (Water)</u>
Cash flows from operating activities:	
Cash received from customers	27 387 56
Cash payments to suppliers for goods and services	<u>(25 262 77)</u>
Net cash provided (used) for operating activities	<u>2 124 79</u>
Cash flows from investing activities:	
Interest income	<u>43 87</u>
Net cash provided (used) for investing activities	<u>43 87</u>
Net increase (decrease) in cash	2 168 66
Cash beginning of year	<u>17 668 16</u>
Cash End of Year	<u><u>19 836 82</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(2 710 64)
Depreciation	4 613 66
Increase (decrease) in assets and liabilities:	
Accounts receivable	243 31
Accounts payable	<u>(21 54)</u>
Net Cash Provided (Used) for Operating Activities	<u><u>2 124 79</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Au Gres, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Au Gres. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 3.7356 mills, and the taxable value was \$42,034,881.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-60 years
Furniture and equipment	6-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>617 629 74</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	144 947 99
Uninsured and Uncollateralized	<u>473 341 57</u>
Total Deposits	<u>618 289 56</u>

The Township of Au Gres did not have any investments as of March 31, 2008.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land and improvements	45 060 00	-	-	45 060 00
Buildings and improvements	52 446 00	-	-	52 446 00
Equipment	19 800 95	1 068 78	(800 00)	20 069 73
Total	117 306 95	1 068 78	(800 00)	117 575 73
Accumulated Depreciation	(29 225 48)	(5 914 33)	800 00	(34 339 81)
Net Governmental Capital Assets	<u>88 081 47</u>	<u>(4 845 55)</u>	<u>-</u>	<u>83 235 92</u>
<u>Business-Type Activities:</u>				
Water System	184 546 44	-	-	184 546 44
Accumulated Depreciation	(101 500 52)	(4 613 66)	-	(106 114 18)
Net Business-Type Capital Assets	<u>83 045 92</u>	<u>(4 613 66)</u>	<u>-</u>	<u>78 432 26</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$2,923.64

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$3,437.52 and building permit expenses of \$0.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 4/1/07	Additions	Deductions	Balance 3/31/08
Bonds Payable – Roads	85 000 00	-	40 000 00	45 000 00
Loan Payable	46 492 23	-	2 615 30	43 876 93
Total	<u>131 492 23</u>	<u>-</u>	<u>42 615 30</u>	<u>88 876 93</u>

Note 10 – Bonds Payable – Roads

During the year 2004-2005, the Township sold bonds in the amount of \$170,000.00 to partially fund road work. The scheduled principal payment of \$45,000.00 is due on April 1 next year. The interest rate is 3.7% per annum. The principal balance outstanding on March 31, 2008, was \$45,000.00.

Note 11 – Loan Payable – Township Hall Improvements

On June 13, 2005, the Township obtained a loan in the amount of \$51,000.00 to fund improvements to the Township hall. The loan requires monthly payments of \$389.84 including interest at the rate of 4.50% per annum. As of March 31, 2008, the principal balance outstanding was \$43,876.93.

Note 12 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Road	166 20	Current Tax Collection	166 20
General	17 095 10	Mosquito	17 095 10
Garbage	412 15	Current Tax Collection	412 15
General	1 377 06	Current Tax Collection	1 377 06
Gypsy Moth	165 69	Current Tax Collection	165 69
Mosquito	<u>165 69</u>	Current Tax Collection	<u>165 69</u>
Total	<u>19 381 89</u>	Total	<u>19 381 89</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 13 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Bond Fund	14 635 30	Bay Ridge Drive	14 635 30
Bond Fund	<u>28 409 70</u>	Booth Road	<u>28 409 70</u>
Total	<u>43 045 00</u>	Total	<u>43 045 00</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	34 000 00	34 000 00	35 535 33	1 535 33
Other taxes	2 100 00	2 100 00	2 001 41	(98 59)
Licenses and permits	1 800 00	1 800 00	4 552 52	2 752 52
State revenue sharing	71 055 00	71 055 00	69 281 00	(1 774 00)
State grant	90 000 00	90 000 00	-	(90 000 00)
Charges for services:				
PTAF	14 500 00	14 500 00	14 856 38	356 38
Other	1 000 00	1 000 00	7 600 00	6 600 00
Interest	5 000 00	5 000 00	5 412 79	412 79
Miscellaneous	<u>5 350 00</u>	<u>5 350 00</u>	<u>9 092 13</u>	<u>3 742 13</u>
Total revenues	<u>224 805 00</u>	<u>224 805 00</u>	<u>148 331 56</u>	<u>(76 473 44)</u>
Expenditures:				
Legislative:				
Township Board	115 100 00	106 500 00	29 535 37	(76 964 63)
General government:				
Supervisor	6 800 00	6 800 00	5 653 96	(1 146 04)
Elections	2 000 00	2 450 00	1 999 93	(450 07)
Assessor	56 100 00	60 600 00	49 239 71	(11 360 29)
Clerk	8 700 00	8 700 00	7 716 12	(983 88)
Board of Review	1 950 00	1 950 00	1 318 42	(631 58)
Treasurer	15 450 00	17 100 00	13 528 18	(3 571 82)
Building and grounds	17 000 00	19 200 00	10 232 92	(8 967 08)
Cemetery	10 000 00	12 000 00	9 746 02	(2 253 98)
Public safety:				
Planning and zoning	3 500 00	3 500 00	1 451 70	(2 048 30)
Public works:				
Street lights	5 150 00	5 850 00	3 106 73	(2 743 27)
Drains	3 000 00	3 000 00	2 798 08	(201 92)
Culture and recreation:				
Parks and recreation	1 500 00	1 800 00	1 706 98	(93 02)
Capital outlay	2 000 00	2 000 00	1 068 78	(931 22)
Debt service	<u>5 000 00</u>	<u>5 000 00</u>	<u>4 678 08</u>	<u>(321 92)</u>
Total expenditures	<u>253 250 00</u>	<u>256 450 00</u>	<u>143 780 98</u>	<u>(112 669 02)</u>
Excess (deficiency) of revenues over expenditures	(28 445 00)	(31 645 00)	4 550 58	36 195 58
Fund balance, April 1	<u>28 445 00</u>	<u>31 645 00</u>	<u>182 772 96</u>	<u>151 127 96</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>187 323 54</u>	<u>187 323 54</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	54 43	54 43
Special assessments	<u>51 200 00</u>	<u>50 438 00</u>	<u>53 909 22</u>	<u>3 471 22</u>
Total revenues	<u>51 200 00</u>	<u>50 438 00</u>	<u>53 963 65</u>	<u>3 525 65</u>
Expenditures:				
Public works:				
Sanitation	<u>52 800 00</u>	<u>52 800 00</u>	<u>51 978 83</u>	<u>(821 17)</u>
Total expenditures	<u>52 800 00</u>	<u>52 800 00</u>	<u>51 978 83</u>	<u>(821 17)</u>
Excess (deficiency) of revenues over expenditures	(1 600 00)	(2 362 00)	1 984 82	4 346 82
Fund balance, April 1	<u>1 600 00</u>	<u>2 362 00</u>	<u>46 127 59</u>	<u>43 765 59</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>48 112 41</u>	<u>48 112 41</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	39 000 00	101 141 00	40 189 98	(60 951 02)
Interest	-	-	189 54	189 54
Total revenues	<u>39 000 00</u>	<u>101 141 00</u>	<u>40 379 52</u>	<u>(60 761 48)</u>
Expenditures:				
Public works:				
Highways and streets	<u>39 000 00</u>	<u>39 000 00</u>	<u>10 538 40</u>	<u>(28 461 60)</u>
Total expenditures	<u>39 000 00</u>	<u>39 000 00</u>	<u>10 538 40</u>	<u>(28 461 60)</u>
Excess (deficiency) of revenues over expenditures	-	62 141 00	29 841 12	(32 299 88)
Fund balance, April 1	-	-	<u>96 271 44</u>	<u>96 271 44</u>
Fund Balance, March 31	<u>-</u>	<u>62 141 00</u>	<u>126 112 56</u>	<u>63 971 56</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	39 000 00	40 411 00	40 201 98	(209 02)
Interest	-	-	2 195 83	2 195 83
Total revenues	<u>39 000 00</u>	<u>40 411 00</u>	<u>42 397 81</u>	<u>1 986 81</u>
Expenditures:				
General government:				
Gypsy moth	<u>12 500 00</u>	<u>40 411 00</u>	<u>31 688 73</u>	<u>(8 722 27)</u>
Total expenditures	<u>12 500 00</u>	<u>40 411 00</u>	<u>31 688 73</u>	<u>(8 722 27)</u>
Excess of revenues over expenditures	26 500 00	-	10 709 08	10 709 08
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>120 280 76</u>	<u>120 280 76</u>
Fund Balance, March 31	<u>26 500 00</u>	<u>-</u>	<u>130 989 84</u>	<u>130 989 84</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MOSQUITO FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	39 000 00	40 411 00	40 189 98	(221 02)
Interest	-	-	149 47	149 47
Total revenues	<u>39 000 00</u>	<u>40 411 00</u>	<u>40 339 45</u>	<u>(71 55)</u>
Expenditures:				
General government:				
Mosquito control	<u>12 500 00</u>	<u>40 411 00</u>	<u>30 529 73</u>	<u>(9 881 27)</u>
Total expenditures	<u>12 500 00</u>	<u>40 411 00</u>	<u>30 529 73</u>	<u>(9 881 27)</u>
Excess of revenues over expenditures	26 500 00	-	9 809 72	9 809 72
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>68 247 47</u>	<u>68 247 47</u>
Fund Balance, March 31	<u>26 500 00</u>	<u>-</u>	<u>78 057 19</u>	<u>78 057 19</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries	5 715 00
Payroll taxes	984 99
Pension	2 923 64
Audit	2 600 00
Professional services	2 475 00
Memberships and dues	3 058 33
Insurance	6 746 00
Miscellaneous	5 032 41
	<u>29 535 37</u>
Supervisor:	
Salary	<u>5 653 96</u>
Elections:	
Contracted services	1 383 00
Supplies	616 93
	<u>1 999 93</u>
Assessor:	
Contracted services	46 867 04
Supplies	2 372 67
	<u>49 239 71</u>
Clerk:	
Salary	7 346 96
Miscellaneous	369 16
	<u>7 716 12</u>
Board of Review:	
Wages	670 00
Miscellaneous	648 42
	<u>1 318 42</u>
Treasurer:	
Salary	7 456 96
Tax statement preparation	4 030 56
Miscellaneous	2 040 66
	<u>13 528 18</u>
Building and grounds:	
Contracted services	898 00
Utilities	4 817 48
Repairs and maintenance	1 962 62
Miscellaneous	2 554 82
	<u>10 232 92</u>
Cemetery:	
Wages	5 375 75
Repairs and maintenance	4 370 27
	<u>9 746 02</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Planning and zoning:	
Wages	1 415 00
Miscellaneous	<u>36 70</u>
	<u>1 451 70</u>
Highways and streets:	
Street lighting	<u>3 106 73</u>
Drains	<u>2 798 08</u>
Parks and recreation:	
Repairs and maintenance	<u>1 706 98</u>
Capital outlay	<u>1 068 78</u>
Debt service	<u>4 678 08</u>
Total Expenditures	<u><u>143 780 98</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS
March 31, 2008

	<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	23 163 55	17 930 83	41 094 38
Special assessments receivable	<u>1 070 75</u>	<u>3 496 35</u>	<u>4 567 10</u>
Total Assets	<u><u>24 234 30</u></u>	<u><u>21 427 18</u></u>	<u><u>45 661 48</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved			
Undesignated	<u>24 234 30</u>	<u>21 427 18</u>	<u>45 661 48</u>
Total fund equity	<u><u>24 234 30</u></u>	<u><u>21 427 18</u></u>	<u><u>45 661 48</u></u>
Total Liabilities and Fund Equity	<u><u>24 234 30</u></u>	<u><u>21 427 18</u></u>	<u><u>45 661 48</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
Revenues:			
Special assessments	13 277 30	25 110 15	38 387 45
Interest	<u>52 22</u>	<u>48 87</u>	<u>101 09</u>
Total revenues	<u>13 329 52</u>	<u>25 159 02</u>	<u>38 488 54</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>13 329 52</u>	<u>25 159 02</u>	<u>38 488 54</u>
Other financing sources (uses):			
Operating transfers out	<u>(14 635 30)</u>	<u>(28 409 70)</u>	<u>(43 045 00)</u>
Total other financing sources (uses)	<u>(14 635 30)</u>	<u>(28 409 70)</u>	<u>(43 045 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1 305 78)	(3 250 68)	(4 556 46)
Fund balances, April 1	<u>25 540 08</u>	<u>24 677 86</u>	<u>50 217 94</u>
Fund Balances, March 31	<u><u>24 234 30</u></u>	<u><u>21 427 18</u></u>	<u><u>45 661 48</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>38 879 21</u>	<u>1 474 541 05</u>	<u>1 499 231 52</u>	<u>14 188 74</u>
<u>Liabilities</u>				
Due to other funds	6 718 19	267 715 14	272 146 54	2 286 79
Due to other units	<u>32 161 02</u>	<u>1 206 825 91</u>	<u>1 227 084 98</u>	<u>11 901 95</u>
Total Liabilities	<u>38 879 21</u>	<u>1 474 541 05</u>	<u>1 499 231 52</u>	<u>14 188 74</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>38 879 21</u>
Cash receipts:	
Property tax	1 460 930 03
Property tax administration fees	13 471 18
Interest	<u>139 84</u>
Total cash receipts	<u>1 474 541 05</u>
Total beginning balance and cash receipts	<u>1 513 420 26</u>
Cash disbursements:	
Township General Fund	55 384 06
Township Road Fund	41 063 59
Township Bay Ridge Fund	13 311 35
Township Mosquito Fund	41 063 59
Township Gypsy Moth Fund	41 063 59
Township Booth Road Fund	25 880 66
Township Garbage Fund	54 379 70
Arenac County	573 736 46
Au Gres Fire Authority	36 288 53
Bay Arenac Intermediate School District	188 325 30
Au Gres Sims School District	425 092 04
Refunds	<u>3 642 65</u>
Total cash disbursements	<u>1 499 231 52</u>
Cash in Bank – End of Year	<u>14 188 74</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 18, 2008

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the financial statements of the Township of Au Gres for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Au Gres in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Au Gres
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants